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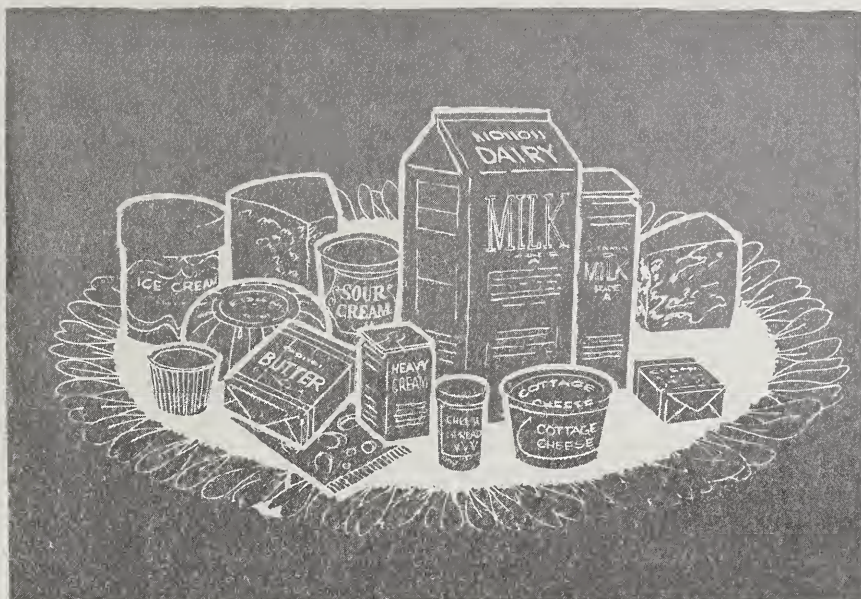
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RESERVE

# Market Administrator's BULLETIN

*John R. Hanson*

MARKET ADMINISTRATOR



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ISSUED FOR PRODUCERS WHO ARE NOT MEMBERS OF COOPERATIVE ASSOCIATIONS

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## MILK POOL BRINGS FAIR PRICE

By John R. Hanson, Deputy Director,  
Dairy Division, C&MS, USDA

In our modern system of marketing milk and other dairy products, the farmer no longer meets the consumer face to face as he once did. They are far apart, and today's farmer has no way of knowing how his milk will be used.

He knows it may reach a dinner table in some distant city for drinking. But the farmer also knows that the amount of milk consumers want each day varies and that his particular milk may not be packaged for drinking. Some or all of it may be left on hand at the milk plant after that day's bottling milk orders are filled. This left-over milk is likely to go to a nearby processing plant to be used in making ice cream, cheese, or butter.

The farmer has no control over how his milk will be used once it leaves his farm. In fact, milk from various farms is intermingled after purchase by the handler, and loses its identity with the individual farmer.

Yet, there is a difference in the price milk will bring in the market, keyed to its ultimate use. Milk distributed for fluid use commands a higher price in the market than the milk which goes into manufactured dairy products.

A "milk pool" ensures that all farmers are paid equitably for their milk



John R. Hanson

delivered to a market, or sold to an individual handler. This "pool" refers to the value of the milk rather than to the milk itself. It is money, not milk that is pooled, to prorate the value of the milk among participating dairy farmers.

The essence of a marketwide pooling plan is payment of a uniform "blend", or average price to all dairy farmers delivering to all dealers in the market, no matter how the milk is used by the particular dealer. A pool can also apply just to milk handled by

each dealer individually.

In either case, the pool operates in conjunction with a milk-use classification and pricing system.

Various kinds of pooling arrangements have been used for many years. They were first used in the 1920's by dairy farmer cooperatives, to establish and maintain uniform, marketwide values for milk based on various uses. Later, cooperatives sought and got the help of government.

Pools have been an integral part of Federal milk marketing orders ever since they were authorized by Congress some 30 years ago.

The Federal milk marketing orders—administered by the Consumer and Marketing Service of the U. S. Department of Agriculture—set minimum prices which are the least that milk dealers can pay dairy farmers for their milk.

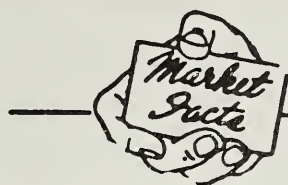
There are usually two general milk use designations—Class I for all milk used for bottling (fluid) purposes, and Class II for all milk used for manufactured dairy products such as ice cream, butter, and cheese.

This is where the milk pool comes into play. It brings farmers the price benefits of the overall milk usage by all handlers in the entire market, or by one handler only, depending on the type of pool plan.

Here's how this works.

Suppose that three dairy farmers  
(Continued on Back Page)





*Columbus*

## MARKET FACTS FOR EASY REFERENCE

### PRICE SUMMARY

Producers' Uniform Price (3.5%) .....	\$5.31	\$5.53	\$5.20
Class I (3.5%) .....	6.05	6.13	5.89
Class II (3.5%) .....	4.58	4.59	4.25
Producer Butterfat Differential for each 1/10% ....	8.2¢	8.1¢	8.0¢

### UTILIZATION SUMMARY

Percent of Producer Milk in Class I .....	66.8	78.4	73.3
Percent of Producer Butterfat in Class I .....	60.2	67.7	65.9
Percent of Producer Milk in Class II .....	33.2	21.6	26.7
Percent of Producer Butterfat in Class II .....	39.8	32.3	34.1

### PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered .....	52,229,301	46,699,353	52,420,151
Average Daily Class I Producer Milk .....	1,136,886	1,236,543	1,253,412
Total Number of Producers .....	1,440	1,441	1,553
Average Daily Production per Producer .....	1,170	1,080	1,089
Average Butterfat Test .....	3.67	3.81	3.66
Total Value of Producer Milk at Test .....	\$2,974,346	\$2,820,103	\$2,922,686
Income per Producer (7 Day Average) .....	\$466	\$456	\$424

### GROSS CLASS USE (Pounds)

Class I Skim .....	33,734,262	35,389,595	37,149,881
Class I Butterfat .....	1,154,803	1,204,016	1,265,511
Class I Milk .....	34,889,065	36,593,611	38,415,392
Class II Skim .....	16,576,978	9,532,035	13,349,426
Class II Butterfat .....	763,258	573,707	655,333
Class II Milk .....	17,340,236	10,105,742	14,004,759

### AVERAGE DAILY SALES (Quarts)

Milk .....	351,106	376,684	370,373
Buttermilk .....	5,774	6,026	6,005
Chocolate .....	35,958	40,493	34,061
Skim .....	44,825	48,014	44,463
Cream .....	4,553	4,874	5,561

COMPARATIVE STATISTICS

COLUMBUS MARKETING AREA

MAY, 1961 - '70

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Average Daily Prod.
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1961 . . . .	33,290,673	3.73	69.1	7.2	2.9	20.8	3.61	4.239	3.839	3.763	3.143	1,240	866
1962 . . . .	38,340,798	3.69	67.1	7.9	4.7	20.3	3.44	4.06	3.717	3.569	2.949	1,315	941
1963 . . . .	43,626,535	3.68	66.8	7.2	4.0	22.0	3.45	4.09	3.705	3.603	2.983	1,378	1,021
1964 . . . .	53,392,057	3.66	65.0	35.0	-----	-----	3.55	4.17	3.12	-----	-----	1,674	1,029
1965 . . . .	51,476,010	3.60	68.5	31.5	-----	-----	3.81	4.48	3.17	-----	-----	1,669	995
1966 . . . .	50,771,018	3.69	71.3	28.7	-----	-----	4.41	5.13	3.56	-----	-----	1,567	1,045
1967 . . . .	50,798,786	3.72	72.3	27.7	-----	-----	4.86	5.60	3.91	-----	-----	1,539	1,065
1968 . . . .	53,007,854	3.68	70.0	30.0	-----	-----	5.05	5.78	4.11	-----	-----	1,589	1,076
1969 . . . .	52,420,151	3.66	73.3	26.7	-----	-----	5.20	5.89	4.25	-----	-----	1,553	1,089
1970 . . . .	52,229,301	3.67	66.8	33.2	-----	-----	5.31	6.05	4.58	-----	-----	1,440	1,170

EXPERIMENTAL DRY WHOLE MILK POWDER FINDS FAVOR IN MARKET TEST

An experimental dry whole milk powder, developed by the U. S. Department of Agriculture, won favor among over 300 homemakers in Alexandria, Virginia, who tried it in their homes.

In personal interviews conducted by USDA's Statistical Reporting Service, it was rated equal to or better than regular whole milk by 4 homemakers in 10 when they considered their overall household needs and preferences.

The report said the test product was also favorably received by the

majority of those household members 12 years old and older who normally drink milk. However, they did not rate it as high as regular whole milk. Many of those under 12 liked it as well as or better than regular milk, according to the homemakers' reports.

The fact that the dry whole milk was easy to store and did not need to be refrigerated seemed to be the major attraction to the 3 homemakers in 4 who felt there were advantages to the dry whole milk. More than half of the homemakers mentioned some disad-

vantages: The main complaint was that the test milk takes time to mix.

In discussing the advantages of the dry whole milk, many of the homemakers assumed that it would sell for less than regular whole milk. A majority of the 2 homemakers in three who might be willing to purchase it for use as a beverage stipulated that the price per quart would have to be below that of regular whole milk. One homemaker in 3 indicated no interest in buying it for use as a beverage at any price.

PER CAPITA CONSUMPTION 1969; PROSPECTS FOR 1970

Per capita domestic civilian consumption of milk in all products in 1969 was an estimated 568 pounds milk equivalent (fat solids basis), about 1½ percent less than a year earlier, a somewhat greater drop than occurred from 1967 to 1968. In addition to consumer purchases, civilian consumption includes USDA donations and use of milk on farms where produced. Substantial consumption declines occurred for butter, fluid whole milk, cream, and canned milk, as sales of these products declined. Donations of butter and nonfat dry milk for use in domestic school lunch and welfare programs were estimated about the same as in 1968, but dona-

tions of cheese were less. Therefore, the gain in cheese consumption can be attributed to larger consumer purchases despite rising prices. Per capita consumption of ice cream was nearly the same as a year earlier.

On a milk equivalent basis, fluid milk and cream civilian consumption declined from 279 pounds per person in 1968 to 271 pounds last year. Declines occurred both in civilian sales and fluid milk used on farms where produced. Fluid milk use under the School Lunch and Special Milk Programs was estimated at about 3.5 billion pounds in 1969, nearly the same as a year earlier, and about 6 percent of total fluid milk consump-

tion.

Consumption patterns have followed fairly predictable trends in recent years, and these changes are expected to continue in 1970. Except for cheese and ice cream, per capita consumption is falling for dairy products with higher fat content (butter, whole milk, cream, and canned milk). Prior to 1960 most of the decline in the consumption of milk (equivalent basis) could be attributed to butter. Since that time, these other products have contributed substantially to the drop. In general, consumption has risen for lower fat products—ice milk, cottage cheese, nonfat dry milk in retail packages, and fluid lowfat.



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BE STRONGER  
LIVE LONGER  
DRINK MILK.

## THE Market Administrator's BULLETIN

### MILK POOL BRINGS FAIR PRICE

(Continued from Front Page)

each deliver 100 pounds of milk to a dealer doing business in a Federal milk order market. The dealer sells 200 pounds of the milk for fluid or bottling use, for which the Class I price is \$6.23 a hundred pounds. He uses the other 100 pounds for manufacturing (Class II) for which the per hundredweight order price is \$4.67.

The handler then owes \$12.46 for 200 pounds at \$6.23 a hundredweight, and \$4.67 for 100 pounds at the Class II price. The pool, or total owed by the handler is \$17.13.

Since all three farmers delivered the same amount of milk, they share it equally, each getting \$5.71.

In a real milk order pool, the uniform blend price is announced for milk with 3.5 percent butterfat. The uniform price to the farmers is then adjusted for milk of varying butterfat, and also for milk shipping costs from production to consumption areas.

The road to market is a long one for today's milk. And milk goes into a host of different uses. But because of "pooling" arrangements incorporated into Federal milk marketing orders, farmers are assured basic, equal sharing of pool values, no matter how their milk is used.

### ICE CREAM FREEZER

A woman, Nancy Johnson, invented the hand-cranked ice cream freezer in 1846, but, alas, she forgot to have it patented. So the glory went to a man, one Mr. Young, who didn't come along with his gadget 'til 1848.

## Market Quotations

MAY  
1970

MINNESOTA - WISCONSIN PRICE SERIES .....	\$4.58
Butter-Powder Price .....	4.66
Average Price per lb. 92-score butter at Chicago .....	.6985
Average carlot prices, spray process nonfat dry milk, f.o.b. Chicago area manufacturing plants .....	.2684

### USDA PROPOSES LOWER BACTERIA LIMITS FOR GRADES OF INSTANT NONFAT DRY MILK

Bacteria limits would be lowered in a proposed revision of the U. S. Standards for Instant Nonfat Dry Milk announced by the U. S. Department of Agriculture.

To meet the requirements for U. S. Extra Grade, instant nonfat dry milk, under the proposal, could have a "plate count" bacteria level of no more than 30,000 per gram and a "coliform count" of no more than 10 per gram. Previous limits were 35,000 and 90, respectively.

USDA's Consumer and Marketing Service, the agency responsible for issuance of the grade standards, reported that most of the instant nonfat dry milk now being produced meets these requirements.

The changes in bacteria limits, agency officials said, would mean that the "coliform count" would assume more significance as an indicator of possible post-pasteurization contamination. The change in "plate count" requirements is proposed chiefly to

bring test methods into conformity with the latest test procedures.

The proposal would make the phosphatase test (a method for measuring the efficiency of pasteurization) optional at the discretion of USDA or at the request of an applicant for official grading service.

The proposed revision of the grade standards also provides for a new method of determining the dispersability of nonfat dry milk. This method, the Modified Moats-Dabbah method, has been tested by USDA, the American Dry Milk Institute, and dry milk industry members. Under the proposed revision, to be classified as U. S. Extra Grade, instant nonfat dry milk would be required to have at least an 85 percent dispersability level, as determined by the Modified Moats-Dabbah method.

U. S. Standards for Instant Nonfat Dry Milk are issued under the authority of the Agricultural Marketing Act of 1946.